PACIFIC TELESIS

Pacific Telesis is a holding company whose subsidiaries operate in telecommunications and related businesses in the U.S. and overseas. Its Bell Operating Companies, Pacific Bell and Nevada Bell, provide customer access in California and Nevada. Pacific Bell Directory provides print directory advertising and related marketing services. The PacTel Companies provide wireless communications services in the U.S. and abroad, and home entertainment services overseas.

Pacific Bell has been audited for improper cross-subsidies, investigated for deceptive marketing practices, ordered to make rate reductions for unacceptable decision making, and has engaged in improper equipment sales practices to customers.

Judicial Action

California

Anticompetitive Practices -- In 1984, Pacific Bell was found by federal district court Judge Harold Greene to have discriminated against coinless pay phone competitors by refusing to provide service to these competitors unless expressly ordered to do so by the California PUC. This refusal was held to violate the anti-discrimination provisions of the MFJ. In his decision, Judge Greene stated that Pacific's actions "not only violate the decree, they strike at its heart."[1]

Regulatory Actions

California

Overcharging Ratepayers -- In 1988, the CPUC investigated Pacific Bell's investments in plant modernization and ordered a $144 million customer rate reduction to compensate for the company's "deficient and unacceptable decision making, ...inadequate levels of performance in its investment justifications," and "inability or failure to provide data required to justify such decisions."[2]

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[1] United States v. Western Electric Co., 583 F.Supp. 1257 (D.D.C. 1984).

[2] California Public Utilities Commission, Division of Ratepayer Advocates, Staff Report on Pacific Bell's Capital Decision-Making Process, August 5, 1988, pp. xiii-xv.

-- In April 1993, a California administrative law judge issued a proposed decision finding that Pacific Bell had improperly billed customers over a five-year period, from 1986 to 1991. When finalized, the decision would order the company to pay $32.09 million in refunds for improperly charged late payment and reconnection fees that resulted from Pacific Bell's payment processing problems. Additionally, the company would be fined $33 million for not correcting the problem sooner even though, the judge concluded, the company must have been aware of its existence. The judge also ordered a company-financed audit of its customer-service operations management. The proposed decision is subject to final review by the California Public Utility Commission (CPUC). The case was brought by Toward Utility Rate Normalization (TURN), a consumer organization. The complaint stated that Pacific Bell violated CPUC rules by delaying posting customers' payments until after the company processed them, causing more than 4,000 customers per day to be charged late and/or reconnect fees. TURN alleged that Pacific Bell told its customer representatives to blame the U.S. Postal Service for the posting delays.[3]

Cross-Subsidization -- The National Association of Regulatory Utility Commissioners (NARUC) in 1986 found "the operations and methods of Pacific Telesis bring to life the worst nightmares of regulators." NARUC concluded, "[i]t appears that Pacific Telesis is testing the waters to determine just how far it can go in sidestepping all regulatory rules and concerns. There appears to be no advantage to the holding company structure except to the unregulated businesses of Pacific Telesis, which are cross-subsidized at every turn by Pacific Bell (the regulated telephone subsidiary of Pacific Telesis)."[4]

-- A 1986 CPUC audit noted that PacTel subsidiaries were "borrowing" Pacific Bell personnel to do work for subsidiaries such as PacTel Properties (real estate) and Pacific Telesis International. The uncompensated use by the subsidiary amounted to a $3 million cross-subsidy since these personnel are paid by the regulated company and its telephone customers.[5]

-- An October 1990 CPUC staff report found that Pacific Telesis was subsidizing competitive product development with $18 million annually from ratepayer revenues and had diverted $37 million in the past to such subsidies.[6]

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[3] Proposed Decision of ALJ Malcolm, Toward Utility Rate Normalization, Inc., v. Pacific Bell, Case 91-03-006 (filed 3/1/91); The American Newspaper Publishers Association, "Regional Bell Company Abuses," August 1991; California Public Utilities Commission, Audit Report on Pacific Telesis, July 11, 1986; Telecommunications Reports, April 12, 1993, p. 31.

[4] National Association of Regulatory Utility Commissioners, Summary Report on the Regional Holding Company Investigations, September 18, 1986, p. 17.

[5] California Public Utilities Commission, Audit Report on Pacific Telesis, July 11, 1986, pp. 1-5.

[6] The American Newspaper Publishers Association, "Regional Bell Company Abuses," August 1991.

-- For two years, Pacific Bell had allegedly used ratepayer money to fund competitive services such as voice mail. In July 1992, the CPUC ordered Pacific Bell to refund approximately $57.6 million to customers and to reduce rates by $19 million.[7]

Anticompetitive Practices -- In 1990, following up on an opinion by a California administrative law judge concerning Pacific Bell's exclusive access to support services and marketing information, the CPUC decided to investigate Pacific Bell's potential marketing advantage over unaffiliated companies offering enhanced services.[8] A CPUC audit found Pacific Bell guilty of referring customer inquiries about where to purchase telephones directly to its own telephone equipment sales affiliate rather than making consumers aware of other available equipment providers.[9]

Deceptive Marketing -- In 1987, the CPUC found that Pacific Bell had been deceiving customers into purchasing unwanted services. Pacific Bell sold customers several services as a package without telling them that each service carried a separate charge and could be separately purchased, and even billed customers for services that they never requested. The CPUC ordered PacBell to refund approximately $50 million to the victims of these tactics and to set up a $16 million trust fund for future claims by bilked customers.[10]

-- In 1990, Pacific Telesis was again forced to refund $35.6 million to consumers to settle a deceptive marketing practices action.[11]

Illegal Manipulation of Expense Accounting -- In 1991, the FCC fined Pacific Bell for supplying false information to the National Exchange Carrier Association (NECA). The Commission said that the company's actions "reflect[ed] a serious disregard for the integrity of the NECA reporting process and the Commission's accounting rules." The Commission charged that Pacific Bell had reported the incorrect information as part of a "concerted effort" to increase its revenues from the common line revenue pool.[12]

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[7] California Public Utilities Commission, News Release: "Pacific Bell Customers to Receive Refunds," July 22, 1992.

[8] Communications Daily, November 27, 1990, pp. 5-6.

[9] Dr. Mark N. Cooper, Divestiture Plus Eight: The Record of Bell Company Abuses Since The Break-Up of AT&T, Consumer Federation of America, December 1991, p. 37; California Public Utility Commission, Audit Report on Pacific Telesis, July 11, 1986.

[10] California Public Utilities Commission, Decision 87-12-067 (December 22, 1987).

[11] Wall Street Journal, April 11, 1990.

[12] Communications Daily, December 11, 1991.

Allegations

California

Cross-Subsidization -- In 1991, the FCC conducted an audit of the Palo Alto cable television system constructed by Pacific Bell to determine whether the phone company cross-subsidized the construction of the cable system with ratepayer money.[13]

Discrimination Against Long Distance Providers -- Telesphere Communications charged that Pacific Bell discriminates against long distance providers by charging competing carriers five times the amount it charges its own "900" service customers for billing and collection services. The dispute was later settled out of court.[14]

Anticompetitive Practices -- A customer already committed to a voice mail service offered by A-B Communications in San Francisco called Pacific Bell to order ordinary network features related to the service. Pacific Bell's service representative, while taking the order, persuaded the customer to switch to Pacific Bell's voice mail service, and A-B Communications lost the sale.[15]

-- In 1991, a California businessman charged that Pacific Bell had driven him out of the telephone service business by cross-subsidizing its inside wire maintenance service and publishing incorrect information about his company in PacBell's yellow pages. The CPSC corroborated the cross-subsidization charges in a report released in 1990.[16]

-- In 1989, Primex Talking Yellow Pages filed a complaint with the California Public Utilities Commission claiming that Pacific Bell sabotaged their phone lines from 1988 to 1989. Primex charged that it lost business because its phones frequently went dead or were disrupted when customers called.[17]

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[13] Communications Daily, January 25, 1991, p. 6.

[14] Memorandum of Telesphere Communications, Inc. In Opposition To Motions For Removal Of The Information Services Restriction Of Section II(D)(1) Of The Consent Decree, pp. 3-4, in United States v. Western Electric Company, Civ. No. 82-0192 (HHG); "Response of the Bell Companies to Anonymous Allegations Concerning Their Business Practices Since Divestiture," June 26, 1992, p. 7.

[15] Association of Telemessaging Services International, Inc. "Incidents of Telco Abuse As of February 21, 1992," p. 3.

[16] Los Angeles Times, February 28, 1991; Telecommunications Reports, March 11, 1991.

[17] Telecommunications Reports, August 21, 1989, p. 12.

Involvement in Equipment Manufacturing -- Along with two other RBOCs, Pacific Telesis has invested several million dollars in a cellular telephone manufacturer. It maintains this investment despite a provision of the AT&T Antitrust Consent Decree that clearly forbids the Bells from manufacturing telephone equipment. For two years, PacTel promoted the manufacturer's products without disclosing its own financial interest. Furthermore, PacTel has not disclosed this interest while serving as part of an industry forum that is setting future cellular telephone standards.[18]

[18] Wall Street Journal, July 31, 1992, p. B4.

SOUTHWESTERN BELL

Southwestern Bell, through the Southwestern Bell Telephone Company, provides telecommunications services to customers in Arkansas, Kansas, Missouri, Oklahoma, and Texas. Other subsidiaries provide mobile communications services, paging services, commercial printing, publish directories, and market telecommunications equipment.

Southwestern Bell has been found to have engaged in anticompetitive practices and to have improperly allocated costs for Washington lobbying.

Judicial Actions

Regional

Cross-Subsidization -- In 1989, Southwestern Bell and four other Bell Operating Companies sought to weaken the FCC's "Joint Cost Rules" which guard against cross-subsidization. The District of Columbia Court of Appeals said this "borders on 'chutzpa,'" because these same companies had recently argued to Congress and the regulatory agencies that these rules were needed to guard against abusive behavior.[1]

Texas

Anticompetitive Practices -- In 1990, a U.S. District Court jury in Amarillo, Texas found that Southwestern Bell had charged directory publishing competitors higher prices for listings of telephone customers than Southwestern Bell had charged its subsidiaries, and awarded over $16.6 million in damages to Great Western Directories. Great Western had accused Southwestern Bell of anticompetitive practices in pricing ads for its Yellow Pages directories in the Amarillo region.[2]

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[1] National Cable Television Association, "The Never Ending Story: Telephone Company Anticompetitive Behavior Since the Breakup of AT&T," April 1991.

[2] Wall Street Journal and Communications Daily, June 26, 1990.

Regulatory Actions

Federal

Overcharging Ratepayers -- In 1990, Southwestern Bell admitted to the FCC that it improperly allocated costs to ratepayers for Washington lobbying. Southwestern Bell said legislative advocacy costs from 1985 to 1989 totalled almost $11 million, and that about $1.4 million in earnings included money spent to seek legislative removal of AT&T Antitrust Consent Decree restrictions -- an action to benefit shareholders that should not have been charged to ratepayers.[3] Later, Southwestern Bell raised its estimate of lobbying expenses to $19 million and of the misallocation to $4 million.[4]

Kansas

Overcharging Ratepayers -- In 1989, the Kansas Corporation Commission recommended that Southwestern Bell reduce customer rates by $21.3 million per year.[5]

Missouri

Overcharging Ratepayers -- In 1987, the Missouri Public Utilities Commission charged that Southwestern Bell's rates produced "excessive earnings," and recommended cutting telephone service rates $200 million annually because the company failed to pass savings on to customers resulting from lower interest rates and other improvements in the economy.[6]

Oklahoma

Overcharging Ratepayers -- In 1989, Oklahoma regulators ordered Southwestern Bell to return to customers $6.2 million of "excess deferred income tax" collected from consumers, and identified $25.5 million in overcharges.[7]

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[3] Telephony, April 30, 1990, p. 8.

[4] Communications Daily, April 23, 1990; "Response of the Bell Companies to Anonymous Allegations Concerning Their Business Practices Since Divestiture." June 26, 1992, p. 19.

[5] Communications Week, November 6, 1989, p. 10.

[6] National Cable Television Association, "The Never Ending Story: Telephone Company Anticompetitive Behavior Since the Breakup of AT&T," April 1991.

[7] The Daily Oklahoman, June 7, 1989, p. 16.

– The Oklahoma Corporation Commission has ordered Southwestern Bell to refund $140 million in overcharges to its customers. In addition, Southwestern Bell will have to lower rates by $90.5 million a year and make $84 million in improvements to its phone network. Southwestern Bell has said it will appeal the decision to the Oklahoma Supreme Court. The Commission ruling was much higher than the $114 million refund and $84 million rate reduction that had been ordered by an administrative law judge.[8]

Texas

Overcharging Ratepayers – In 1989, the Texas Public Utility Commission (TPUC) ordered Southwestern Bell to refund $87 million and to freeze basic rates for four years, because it was earning more than its prescribed rate of return. The TPUC staff had recommended a $400 million reduction in rates.[9]

Allegations

Kansas

Anticompetitive Practices – In January 1991, the Wall Street Journal reported that Southwestern Bell had tried to prevent a small rural telephone cooperative, Pioneer Telephone in Kansas, from constructing an educational network linking several high schools after the school system rejected Southwestern Bell's bid for the project as too expensive.[10]

Oklahoma

Abuse of the Political Process – Southwestern Bell is currently the subject of an FBI investigation of bribery and corruption involving the Oklahoma Corporation Commission (OCC). Southwestern Bell is alleged to have offered thousands of dollars in cash and other incentives to Commission Chair Bob Anthony. Anthony had advised Southwestern Bell that the actions of some of its employees were unethical. Anthony has also stated that there have been "serious irregularities and unethical conduct" by Southwestern Bell employees regarding a recent rate case in which the Commission ordered the company to refund over $140 million. Since the allegations surfaced, there has been a "reorganization" of Southwestern Bell's top employees in the State.[11]

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[8] "Southwestern Bell Refunds Ordered by Commission." Tulsa World, August 6, 1992, p. A1.

[9] Communications Week, December 18, 1989, p. 10; BOC Week, December 3, 1990, p.11.

[10] Wall Street Journal, January 18, 1991.

[11] "Bell Says Personnel Changes Not Linked to Rate Case, Probe." Tulsa World, October 11, 1992, p. G1.

-- In February 1993, the Daily Oklahoman reported that state legislators who supported a bill that would overturn the OCC order requiring Southwestern Bell to refund $114 million had received over $90,000 in campaign contributions from Southwestern Bell.[12]

Missouri

Overcharging the Government -- An April 1993 audit by the Government Services Administration (GSA) has alleged that Southwestern Bell has been overcharging the government anywhere from 14 to 311 percent for items under contract to the GSA in Kansas City. In a survey of 25 random products provided by Southwestern Bell, all 25 items were found to be overpriced. The GSA called for Southwestern Bell to demonstrate that their pricing is competitive and to refund to the government any overcharges.[13]

Overcharging Ratepayers -- In a case currently in front of the Missouri Public Utility Commission (MPUC), Southwestern Bell is charged with earning over $102 million in excess of its allowable rate of return. The charges have been brought by the Missouri Office of Public Counsel, which believes Southwestern Bell was earning excessive profits under an experimental rate-setting agreement with the MPUC.[14]

Anticompetitive Practices -- In 1990, Southwestern Bell in Missouri was alleged to be charging pole attachment rates sixty times higher than normal cable pole attachment rates in instances where the cable company wanted to use telephone poles to provide competitive services, such as alarm systems. If poles were used for normal cable TV service, Southwestern Bell charged $2.25 per year; but if poles were used for non-video services in competition with Southwestern Bell, the rate was $120.00 per year.[15]

Texas

Anticompetitive Practices -- Southwestern Bell is currently the subject of an investigation by the TPUC into anticompetitive practices in marketing its voice messaging service.[16]

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[12] Communications Daily, February 23, 1993, p. 7.

[13] Communications Daily, April 19, 1993, p. 4.

[14] NASUCA NEWS, November 1992, p 6.

[15] Letters from Dan Smoots, Southwestern Bell, to Dan DeLaney, TCI Cablevision of Missouri, October 29, 1990, December 17, 1990.

[16] "Voice Mail Firms Cry Foul Play; Southwestern Bell Target of Inquiry." The Houston Chronicle, October 9, 1992, Business:2.

Cross-Subsidization and Ratepayer Overcharges -- The Texas Office of Public Counsel has filed a petition with the TPUC stating that Southwestern Bell's rates should be reduced by $234 million. The Public Counsel has charged that Southwestern Bell has used these excessive profits to fund some of its non-regulated ventures, such as its ownership of Mexico's phone system and cable companies in Israel and Britain. The Counsel alleges that Southwestern Bell has been depreciating its assets faster in order to avoid refunding the overcharges to the public.[17]

Improper Influence -- A Southwestern Bell employee in Texas filed suit in federal court charging that Southwestern Bell illegally engaged in illegal private communications with two Texas PUC members, and traded favors (such as speech writing, charitable contributions, and lobbying services) in order to obtain the commissioners' votes on settlement of a multimillion-dollar rate case in 1990. A PUC administrative law judge had previously rejected the settlement, and it had been opposed by the state consumer agency, more than 100 Texas cities, and consumer groups. The suit is currently pending.[18]

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17 "Regulators Urged to Cut SW Bell's Rates." The Houston Chronicle, October 8, 1992, A:29.

18 Houston Post, April 30, 1993, p. A-21; Houston Chronicle, April 30, 1993, p. 25A.

US WEST

US West provides telecommunications services to customers in fourteen states (Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming) through its telephone companies, Mountain Bell, Northwestern Bell, and Pacific Northwest Bell. Through other subsidiaries, it publishes telephone directories, provides cellular mobile service, and is involved in cable communications and financial services.

US West has admitted to discriminatory behavior in violation of the MFJ, and has paid civil penalties. The company has diverted profits to shareholders at the expense of ratepayers, has been found guilty of improper marketing plans in seven states, has been investigated on a charge of generating excess profits, and has been penalized for cross-subsidizing its directory publishing business.

Judicial Actions

Federal Court

Violations of the MFJ -- In 1991, in a case which resulted in a $10 million fine, US West admitted to four major MFJ violations between 1986 and 1989. **This was the LARGEST fine ever obtained by the Department of Justice's Antitrust Division against one defendant.** The violations included discrimination in providing the General Services Administration (GSA) with exchange access and other services; violation of the MFJ manufacturing restriction; and violation of the information services restriction.

-- US West charged its affiliate less for access than it charged its competitors and bundled trunk lines at no charge for its affiliate, while competitors were forced to pay for these services. The company offered GSA access to the local telephone network at a lower price if GSA also purchased US West switching services rather than buy AT&T switches. US West also offered free use of trunk lines if GSA purchased US West switching services, but required GSA to pay for trunks if AT&T supplied the switching.

-- The Justice Department did not press charges for nine other antitrust violations in return for US West's admission of guilt.[1] Judge Greene stated in an order in the case that US West **"has been engaged in a systematic and calculated effort to frustrate the (Justice) Department's legitimate demands for information."[2]**

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[1] Communications Week, February 18, 1991; Memorandum of the United States in Support of Motion and Stipulation for Entry of an Enforcement Order, United States v. Western Electric Company. Enforcement Order, February 15, 1991.

[2] United States v. Western Electric Company, 132 F.R.D. 1,2 (D.D.C. 1990).

Deceptive Marketing -- In 1991, US West settled federal and state class action lawsuits that had been filed against Mountain Bell for improperly marketing their inside wire maintenance plans. In the settlement, US West agreed to notify all customers who had purchased the service over a seven year period and to give refunds to those who were improperly signed up.[3]

Oregon

Overcharging Ratepayers -- In December 1992, the Oregon Court of Appeals reversed a lower court decision and ordered US West to refund ratepayers $10 million for overcharges that occurred from 1987 to 1988. The overcharges took place while the Oregon Public Utilities Commission (OPUC) was deciding on a new rate structure for US West. At first the OPUC did not order US West to make the refunds, but later decided that the overcharges took place while the rates were pending and should have been refunded.[4]

Regulatory Actions

Oregon

Cross-Subsidization and Ratepayer Overcharges -- The OPUC has ordered US West Communications to stop transferring list information to its unregulated subsidiary, US West Marketing Resources. The Oregon Citizens Utility Board has accused US West of transferring $10 million in profits from the local carrier to the marketing firm. The OPUC decision is currently under review by the Oregon Court of Appeals, after US West lost in a circuit court appeal.[5]

--- In January 1992, the OPUC ordered US West to refund to its customers $56 million in overearnings from directory publishing. Residential customers received $20 per line and businesses received up to $50 per line.[6]

--- In 1990, the OPUC found that US West used an unregulated subsidiary to divert profits to its shareholders at the expense of ratepayers, and ordered the company to return $24 million to the regulated ratebase due to overearnings from directory publishing revenue.[7]

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[3] BOC Week, April 15, 1991, p. 10-11.

[4] "Court Reinstates US West Refunds." Telephone Week, December 7, 1992, p. 6.

[5] "Oregon CUB Says US West Audit Missed Major Cross-Subsidies." Telephone Week, October 26, 1992, p. 9-10.

[6] "Oregon Orders US West Refund." BOC Week, January 27, 1992, p. 10.

[7] Communications Daily, January 4, 1989; Telephony, January 8, 1990.

Washington

Excess Earnings -- In 1989, the Washington Utilities and Transportation Commission (WUTC) filed a complaint against US West alleging it was earning a 12% rate of return when it was authorized to earn only 10.5%. This was generating as much as $70 million in excess profit.[8] The Commission ordered a rate cut of $65 million for 1990 and a cumulative decrease of $337.75 million over five years.[9]

Anticompetitive Practices -- In 1988, US West was cited for withholding access to local telephone customer marketing information from its intra-LATA long distance competitors. A WUTC law judge ordered US West to release the information.[10]

Allegations

Regional

Accounting Improprieties -- In May 1992, the FCC's Common Carrier Bureau suspended tariffs filed by US West and set up an investigation. The Bureau charged that US West and one other RBOC sought to pass on charges incurred due to accounting rule changes regarding retirement benefits as part of their price cap index.[11]

Improper Marketing -- In 1991, Mountain Bell, a US West subsidiary, agreed to settle long-pending state and federal class action litigation alleging improper marketing of inside wiring maintenance plans in seven states.[12] In 1988, US West was sued in a class action for collecting $20 million annually from customers who never ordered inside wire maintenance contracts. The company routinely charged customers for the service unless they specifically asked not to be covered by the contract.[13]

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[8] Communications Week, March 13, 1989.

[9] Washington Utilities and Transportation Commission, "Fourth Supplemental Order Accepting Settlement With Modifications, Resolving Complaint and Authorizing an Alternative Form of Regulation." Docket Nos. U-89-2698-F and U-89-3245-P, p. 3.

[10] Washington Utilities and Transportation Commission, Docket No. U-88-2052-P; Pacific Northwest Bell v. W.U.T.C., Thurston City, No. 88-2-01931-0. Communications Daily, September 6, 1988, p. 9; Telephony, October 3, 1988, p. 16.

[11] Communications Daily, May 1, 1992.

[12] BOC Week, April 15, 1991.

[13] Wall Street Journal, August 16, 1988, p. 16 and November 28, 1989, p. B8.

Anticompetitive Marketing -- In March 1990, Teleconnect*USA asked the Justice Department to investigate wrongdoing by US West in the directory publishing market. It alleged that US West discriminated in favor of its own directory publishing subsidiary by including invoices in its telephone bills and not providing that same service to competitors. In addition, US West's prices to competitors were 515% higher for resident listings and 433% higher for business listings than its prices to its own marketing concerns.[14]

Cross-Subsidization and Ratepayer Overcharges -- In 1989, fourteen different state regulators petitioned Judge Greene to halt US West's improper diversion of Yellow Pages revenue away from ratepayers to stockholders. Yellow Pages information is compiled in regulated telephone operations, and paid for by telephone ratepayers.[15]

-- In addition, the Consumer Federation of America (CFA) alleges that US West has invested over $3 billion in unregulated leasing operations paid for by overcharging consumers.[16]

Colorado

Anticompetitive Practices -- Nearly 100 separate cases have been documented of messaging bureau customers being solicited for US West's voice messaging service in the course of their normal interaction with their local servicing telephone company. The following are examples cited by the Association of Telemessaging Services International, Inc. as of February 21, 1992:[17]

-- Alert Telephone Answering Service, Inc., Denver, Colorado, has kept detailed records of customers lost to "poaching" by US West solicitations. Its records show that US West has regularly used regulated local exchange service employees to persuade live answering service and voice messaging service customers to switch to US West.

-- A customer of Answer-All Secretarial Service, Inc., a Colorado message bureau, placed an order to the local BOC to transfer his calls to Answer-All. During a conference call with the customer, Answer-All's representative, and US West's service representative, US West strongly urged the customer to switch to US West's voice mail. Answer-All had to remind the US West agent that the caller was an Answer-All customer.

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[14] The Oregonian, January 6, 11, 20, 1990.

[15] Telecommunications Reports, October 30, 1989, p. 18.

[16] Dr. Mark N. Cooper, Divestiture Plus Eight: The Record of Bell Company Abuses Since The Break-Up of AT&T, Consumer Federation of America, December 1991, p. 14.

[17] Association of Telemessaging Services International, Inc., "Incidents of Telco Abuse As of February 21, 1992," p. 5.

-- A messaging bureau employee ordered a home phone and was solicited for US West voice messaging. She declined, and was offered a free month of service and a waiver of the installation fee. Again she declined. The next week, she was called by US West and was told that if she now decided to switch from her current voice messaging service, US West would give her a free month of service as well as a credit for double the cost of the competitive service on her next telephone bill.

Cross-Subsidization -- In 1992, the Colorado Public Utilities Commission began a formal investigation into allegations that US West used ratepayer dollars to bail out US West Real Estate. The allegations claim that US West used ratepayer money to lease downtown office space from its subsidiary at inflated prices in a slumping market.[18]

Iowa

Cross-Subsidization and Ratepayer Overcharges -- In 1991, the Iowa Consumer Advocate filed a complaint stating that US West had transferred $15.6 million from its directory publishing company to an unregulated subsidiary.[19]

Oregon

Cross-Subsidization -- The Oregon Citizen Utility Board (CUB) accused US West of shifting expenses of unregulated subsidiaries, such as staff, equipment, and development costs, back to the regulated operating company. The CUB's regional audit found that US West did not closely monitor affiliate transactions and engaged in sloppy record keeping. CUB said that US West would have overcharged Oregon ratepayers $90 million had it not been for the Oregon Public Utilities Commission action. The citizens group also claimed that US West's relationship with US West Marketing Resources had cost Oregon customers another $10 million since 1989. The report said that US West's activities "show a consistent pattern of attempting to manipulate costs and revenue to maximize profits regardless of the effect on ratepayers."[20]

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[18] Telephone Week, October 26, 1992.

[19] BOC Week, July 29, 1992, p. 14.

[20] Telephone Week, October 26, 1992.

North Dakota

Overcharging Ratepayers -- In November 1992, the North Dakota Public Service Commission staff filed a complaint against US West alleging that their rates were "unreasonably high." The staff has also charged that US West is seeking to pass on costs caused by a change in standard accounting practices regarding their employees retirement benefits. Nearly $7 million is at stake.[21]

Utah

Cross-Subsidization -- In 1989, the Utah Public Service Commission disallowed $586,000 in US West affiliate transaction expenses, in part due to overpayments to unregulated subsidiaries.[22]

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[21] Telecommunications Reports, November 16, 1992, p. 36.

[22] Telecommunications Reports, October 30, 1989, p. 19.

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of August, 1993, copies of the foregoing **COMMENTS OF LDDS COMMUNICATIONS, INC.** were served via hand delivery* or first class mail, postage prepaid, to the parties on the attached service list.

Lisa Henry

Lisa Henry

Edward D. Young, III
John M. Goodman
1710 H Street, NW
Washington, DC 20006
Counsel for Bell Atlantic

William Barfield
Richard Sbaratta
1155 Peachtree Street, NE
Suite 1800
Atlanta, GA 30367
Counsel for BellSouth Corp.

Gerald E. Murray
Thomas J. Hearity
1113 Westchester Ave.
White Plains, NY 10604
Counsel for NYNEX Corp.

James P. Tuthill
Alan Ciamporcero
1275 Pennsylvania Ave., NW
Washington, DC 20004
Counsel for Pacific Telesis Group

Michael K. Kellogg
Kellogg, Huber & Hansen
1301 K Street, NW
Suite 1040E
Washington, DC 20005
Counsel for the Bell Companies

Paul Lane
Dale Hartung
Thomas Horn
175 E. Houston
Room 1260
San Antonio, TX 78205

Martin Grambow
1667 K Street, NW
Washington, DC 20006
Counsel for Southwestern Bell Corp.

Chairman James Quello*
FCC
Room 802
1919 M Street, NW
Washington, DC 20006

Commissioner Ervin Duggan*
FCC
Room 832
1919 M Street, NW
Washington, DC 20006

Commissioner Andrew Barrett*
FCC
Room 844
1919 M Street, NW
Washington, DC 20006

Kathleen Levitz*
Chief, Common Carrier Bureau
FCC
Room 500
1919 M Street, NW
Washington, DC 20006